

DEPARTMENT OF STATE
BUREAU OF INTELLIGENCE AND RESEARCH

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TO : The Secretary
THROUGH: S/S
FROM : INR - Thomas L. Hughes *Thomas L. Hughes*
SUBJECT: Cuban trade and communist aid levels

Recently published Cuban trade figures supplement previous information. This paper brings together the available figures to provide a review of the general level of Cuban trade in recent years and communist country assistance to the country.

ABSTRACT

Cuba incurred a trade deficit of \$239 million in 1962 and \$105 million during the first three months of 1963. This and other trade trends revealed in the official figures conform with previous information and estimates. For calendar 1963, the trade deficit may not exceed \$180 million if -- as seems likely -- imports are held down. The small 1962 deficit of around \$24 million in trade with the Free World may be repeated in 1963.

Most of Cuba's trade deficit is on account with the communist countries, particularly the USSR. Up to the end of 1962, total trade financing from these countries amounted to at least \$415 million. Very little of this sum was in the form of drawdowns on development credits. Cuba also received technical assistance estimated at \$30 million, plus \$ 250 million of Soviet military hardware by the end of 1962. Communist country economic and technical aid in 1963 probably ranges between \$200 - \$300 million. Turnover of Soviet military equipment to Cuba and accompanying training will probably amount to \$150 million this year.

Communist aid to Cuba--balance of payments credits, technical assistance, and military grants--reflects the disruption of Cuba's production patterns, its inability to absorb developmental capital and the security requirements of the Castro regime. This pattern of aid can be expected to be required for some time to come.

GROUP 1
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Cuban foreign trade levels

Official data on Cuba's foreign trade from 1957 through the first quarter of 1963 tend to confirm previous informed estimates of trends in the distribution and level of commerce during the Castro period (See Tables 1 and 2). To the extent that these data can be compared, they seem to be in line with magnitudes of value shown in the statistics of Cuba's trade partners.

The figures show that Cuba managed to achieve an export surplus of almost \$39 million in 1960 but that since then import deficits have occurred. The deficit grew from \$12 million in 1961 to a whopping \$239 million in 1962; during the first quarter of 1963, Cuba imported \$105 million more than it exported.

The commerce carried out during January-March 1963 cannot, however, be construed as indicative of the entire year's trend, especially in the case of exports. Because of the seasonal factor in Cuban trade most exports move out during the second and third quarters of the year.

Because sugar sales from the 1962/63 crop were contracted at prices ranging from under three cents per pound to twelve cents, it is difficult to estimate export values with precision. Moreover, the impact of Hurricane Flora may cut down exports during the final quarter of 1963. Estimates are that Cuban trade earnings in 1963 will be, at best, about the same as in 1962. If the country has obtained an average price of six cents per pound for its sugar exports (estimated at a maximum of 3.3 million metric tons), it will realize about \$436 million on sugar sales. Together with another \$70 - \$80 million in exports of other commodities, Cuba might attain a total export value in 1963 which would be close to the \$520 million achieved in 1962.

Imports in 1963 are not expected to exceed the \$759 million level of 1962 and they may well be less. The Soviets, who carry most of the aid burden in Cuba, can be expected to provide about the same amount of balance of payments aid as in 1962 but Cuban exports may be lower. Imports are likely to suffice only to maintain Cuban consumption levels at a politically expedient minimum with development goods comprising an increasing proportion of the total. The chary Soviet award of hurricane relief assistance, most of which must be debited against deliveries promised in 1964, suggests that they do not intend to amplify their aid levels and that, indeed, Cuba may already have used up its quota of USSR balance of payments assistance for 1963.

A quadrupling of the import values shown for January-March 1963 would give a total of about \$708 million in imports for the year. There is no evidence that the Free World is increasing its exports to Cuba in 1963, nor is it likely that deliveries from communist countries other than the USSR have risen in comparison to 1962.

Levels of communist country aid

The deficit in 1962 occurred principally in trade with the "socialist countries". The imbalance of \$215 million with those countries, shown in Table 1, does not fully represent the extent of communist country trade assistance to Cuba, however. If it can be assumed that all the communist countries paid four cents per pound for sugar during 1961 and 1962 (the world price was 3 cents), Cuba obtained an estimated \$200 million of indirect aid in the form of sugar premiums for the period. The USSR and Communist China, for example, together contributed an estimated \$97 million and \$67 million in sugar premiums to Cuba in 1961 and 1962, respectively. In addition, Cuba's trade position has been helped to a limited extent by drawdowns on developmental credits for imported goods, probably on the order of \$20 million. Taking into account only funding of Cuba's trade deficit with the "socialist countries", including use of development credits, and the estimated amounts of indirect financing in the form of sugar premium prices, total communist country economic assistance to Castro by the end of 1962 easily amounted to \$415 million. The communist countries have also spent considerable sums for technical assistance (perhaps \$30 million by the end of 1962), which are not revealed in trade figures. It seems likely, that \$200-\$300 million of balance of payments aid, development credit, and technical assistance is being spent in 1963.

About \$250 million of Soviet military equipment was also provided to Cuba by the end of 1962, not counting equipment under Soviet control nor weapon systems withdrawn in late 1962. Most deliveries of military hardware are apparently grants. Military equipment in Cuba turned over to the Cubans by the Soviets, the accompanying training program, and a few new deliveries of equipment from the USSR amount to about \$150 million in 1963.

Whatever the level of communist country assistance in precise accounting terms, the results obtained for both Cuba and the communist countries give no cause for pride on the part of either the receiver or the givers. Communist financial and technical support has followed upon the destruction of the existing economic and political structure of Cuba. The ensuing exodus of the managerial and skilled classes, the regearing of the national economy to fit into the supply capabilities of the Soviet Union and the other

communist countries, and the breakdown of worker motivation have taken a heavy toll of production and levels of living. It will probably require a decade or more to restore Cuban output to pre-revolutionary levels. In the meantime, much communist assistance takes the form of military equipment to safeguard the regime's stability. Most of the balance goes merely to keep consumption at a minimum level. During the early revolutionary and post-revolution period, the recipient country has little or no ability to absorb development capital usefully. The Cuban example should, therefore, provide no attractive model for aspiring peoples to emulate regardless of the money value of communist aid deliveries.

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TABLE 1. PATTERN OF CUBAN TRADE, 1957-3 MONTHS OF 1963

(In millions of Cuban pesos*;
exports fob, imports cif)

	Grand Total		Socialist Countries		Free World Countries					
					Bi-lateral Account Countries		Other Free World		Total Free World	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Value										
1957	807.7	772.9	44.1	2.4	38.7	14.3	724.8	756.1	763.5	770.4
1958	733.5	777.1	18.9	2.0	29.3	15.1	685.3	760.0	714.6	775.1
1959	637.8	674.8	14.0	1.9	21.1	9.5	602.8	663.5	623.9	673.0
1960	618.2	580.4	149.9	108.6	21.4	19.4	446.9	452.4	468.3	471.8
1961	624.9	636.8	458.1	446.8	31.5	20.1	135.3	169.8	166.8	189.9
1962	520.6	759.2	426.9	641.9	35.0	23.9	58.7	93.4	93.7	117.3
3 mos. 1963	72.5	177.6	53.9	151.0	9.4	5.1	9.2	21.5	18.6	26.6
Percentage										
1957	100.0	100.0	5.5	0.3	4.8	1.9	89.7	97.8	94.5	99.7
1958	100.0	100.0	2.6	0.2	4.0	2.0	93.4	97.8	97.4	99.8
1959	100.0	100.0	2.2	0.3	3.3	1.4	94.5	98.3	97.8	99.7
1960	100.0	100.0	24.3	18.7	3.4	3.3	72.3	78.0	75.7	81.3
1961	100.0	100.0	73.3	70.2	5.0	3.1	21.7	26.7	26.7	29.8
1962	100.0	100.0	82.0	84.6	6.7	3.1	11.3	12.3	18.0	15.4
3 mos. 1963	100.0	100.0	74.3	85.0	13.0	2.9	12.7	12.1	25.7	15.0
Balance**										
1957	34.8		41.7		24.4		-31.3		-6.9	
1958	-43.6		16.9		14.2		-74.7		-60.5	
1959	-37.0		12.1		11.6		-60.7		-49.1	
1960	37.8		41.3		2.0		-5.5		-3.5	
1961	-11.9		11.3		11.4		-34.5		-23.1	
1962	-238.6		-215.0		11.1		-34.7		-23.6	
3 mos. 1963	-105.1		-97.1		4.3		-12.3		-8.0	

* 1 peso = 1 US dollar
 - means import deficit

NOTE: Minor errors in addition are due to rounding

Table 2. Cuban Balance of Trade, First Quarter 1963
(in 1,000 pesos)

	Exports Value (fob)	Imports Value (cif)	Balance
Socialist Countries	<u>53,892</u>	<u>150,963</u>	- 97,071
USSR	<u>34,730</u>	<u>97,125</u>	- 62,395
People's Republic of China	2,849	19,073	- 16,224
Czechoslovakia	6,840	12,061	- 5,221
Poland	3,097	8,191	- 5,094
East Germany	2,781	7,586	- 4,805
Others	3,595	6,927	- 3,332
Capitalist Countries	<u>9,201</u>	<u>21,505</u>	- 12,304
Canada	<u>748</u>	<u>1,339</u>	- 591
The Netherlands	1,390	2,943	- 1,553
United Kingdom	2,240	795	- 1,445
Japan	805	4,059	- 3,254
Others	4,018	12,369	- 8,351
Capitalist Countries "de convenio"	<u>9,445</u>	<u>5,094</u>	<u>4,351</u>
Morocco	<u>5,990</u>	<u>2,574</u>	<u>3,416</u>
Spain	2,837	702	2,135
Others	610	1,818	- 1,208
	<u>72,538</u>	<u>177,562</u>	- 105,024

Source: Directorate of Planning and Statistics, Ministry of Foreign Trade.